

INCOME TRUST INFORMATION

If you need this material in a different format, such as large print, contact your DHS County Office.

Individuals in a Long Term Care Facility applying for Medicaid whose income is above the income limit may qualify for Medicaid by establishing an Irrevocable Income Trust. An Irrevocable Income Trust is established by signing a legal document. All of the applicant's income is placed in the account and disbursements from the account are only made according to Medicaid policy and procedures. At the time of the Medicaid recipient's death, funds in the account are paid to the Arkansas Department of Human Services for reimbursement of Medicaid expenses paid on behalf of the recipient. Establishing the income trust allows the individual to qualify for Medicaid Assistance. The following are general guidelines in establishing and maintaining an Income Trust.

Definitions

Income is money an individual receives during the month that can be used to meet his or her needs. For example, a Social Security Check or a retirement check is considered income in the month of receipt.

Resources are generally defined as those assets, including both real and personal property, which an individual or couple owns, has the right, authority, or power to convert to cash (if not already cash), and is not legally restricted from using for his or her support and maintenance. For example, checking accounts, savings accounts, stocks, bonds, cars, property, etc. are considered resources.

Income may go into a bank account this month and then become a resource the following month; however, money in an income trust account is never considered a resource. We are defining the meaning of income and resource to help you understand these words throughout the handout.

Establishing an Income Trust Account

- Medical Services Policy #3336.9 – Income Trust Policy – can be obtained from the Internet site located at www.state.ar.us/dhs/webpolicy/Index.htm. A paper copy of the policy is available from the caseworker upon request.

- The trust document can be prepared from guidelines set forth in the trust policy. You may ask the caseworker for an example of an Income Trust. The Income Trust does not have to be prepared by an attorney.
- After the Income Trust Document has been prepared, have it signed and notarized. It is important to have the trust signed as soon as possible (ASAP), as eligibility cannot begin prior to the first day of the month it was signed.
- Bring the dated, signed, and notarized Income Trust Document to the County Office as soon as possible. If the trust is signed on behalf of the applicant by a Guardian or Power of Attorney, a copy of the Court Order or Power of Attorney document must be attached to the trust document.
- Legal approval will be obtained from a Department of Human Services attorney.
- While you are waiting on approval you may open an Income Trust Account at the bank of your choice. It is important not to keep or place resources into the account you designate as the income trust account. A new account can be opened as the trust account or you may remove resources that are in the existing account and place those resources in a new account. **INCOME AND RESOURCES CANNOT BE CO-MINGLED IN AN INCOME TRUST ACCOUNT. ONLY INCOME CAN BE IN AN INCOME TRUST ACCOUNT.**

Maintaining an Income Trust Account

- Please place all monthly Income into the Income Trust Account every month beginning with the income received in the month the income trust document was signed. **Do not make any disbursements** from the Trust Account until a caseworker completes a DCO-712 and authorizes the disbursements.
- After the County Office receives the legal approval and has verified all information, the Long Term Care Medicaid Case will be processed, and if approved, you will be advised of the monthly patient liability to the long-term care facility.
- Each month place gross monthly income of the Long Term Care Medicaid recipient into the Income Trust Account and make disbursements to the Long Term Care Facility, Community Spouse (if applicable), and Medical Providers (if applicable) as indicated on the DCO-712.
- Fees for trustees, preparation of income tax returns and attorneys will **NOT** be allowed as disbursements from income trusts. The **ONLY** fees allowed will be the bank service charges for maintaining the bank account.
- Please report any changes in income, resources, medical expenses, or other circumstances to your Long Term Care Caseworker as soon as possible because changes could affect the Medicaid recipient's eligibility for assistance.

If you have any questions, please contact your Long Term Care Caseworker.